

MAY 16 2001

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY *[Signature]*

In the Matter of:

**CENTRAL RESERVE LIFE INSURANCE COMPANY,**  
NAIC #61727;  
  
Respondent.

) Docket No. 01A-129-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Central Reserve Life Insurance Company ("Central Reserve"). The Report of the Examination of the Market Conduct Affairs of Central Reserve, dated June 1, 1998 alleges that Central Reserve has violated A.R.S. §§ 20-448.01, 20-461, 20-462, 20-2104, 20-2110, 20-2307, 20-2309, 20-2311, 20-2313, 20-2323, and A.A.C. R20-6-201, R20-6-209, R20-6-218, R20-6-801, R20-6-1203, R20-6-1205, and the prior Consent Order, Docket #8532, dated August 29, 1994.

Central Reserve wishes to resolve this matter without formal proceedings, neither admits nor denies that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. Central Reserve is authorized to transact life and disability insurance pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of Central Reserve. The on-site examination covered the time period from January 1, 1995 through December 31, 1997, and was concluded on June 1, 1998. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of Central Reserve Life Insurance Company" dated June 1,

1 1998.

2 3. Following a market conduct examination of Central Reserve Life Insurance  
3 Company as of December 31, 1991, the Director entered a Consent Order, Docket No.  
4 8532, which was filed on August 29, 1994 (the "1994 Order"). Section 1 of the "Order"  
5 portion of the 1994 Order stated as follows:

6 "1. Respondent (Central Reserve) shall cease and desist from failing to provide  
7 ... full disclosures of all applicable exclusions and limitations to coverage in any  
8 and all sales brochures and advertising materials of any type ... from failing to  
9 notify the claimant of acceptance or denial of the claim within 15 working days  
10 after receiving the proof of loss; from failing to complete the investigation of  
11 claims within 30 calendar days after notification of the claim; and failing to pay  
12 interest to a first-party claimant where the subject claim was not paid within 30  
13 days after receipt of the proof of loss."

14 4. The Examiners reviewed 31 of 31 claim-related consumer appeals  
15 processed by the Company during the time frame of the examination and found that  
16 Central Reserve failed to send an appropriate reply to 20 claimants within ten working  
17 days, when the insurer had received pertinent communications which reasonably  
18 suggested that a response was expected.

19 5. The Examiners reviewed all advertising materials used by the Company  
20 during the time frame of the examination and found as follows:

21 a. Central Reserve used a statement in one group health insurance  
22 sales proposal letter that contained the following language: "Additionally, because  
23 Central Reserve Life Insurance Company is one of the nation's leaders in managed  
24 care controls, it has become known as 'The Preferred Managed Care Company.' This  
25 emphasis has been successful in keeping our costs dramatically down and our rates  
significantly lower than the national average." This statement alleges that the  
Company's rates are significantly below the national average without establishing the  
validity of the claim, providing independent evidence to support these allegations, or

1 substantiation to validate this claim.

2           b. Central Reserve used statements in a group health insurance renewal  
3 letter that referred to specific policy benefits (organ and tissue transplants, bone  
4 marrow transplants, improved incentive dental benefit) but did not disclose exceptions,  
5 reductions, and limitations affecting the basic provisions of the policy, and therefore  
6 may have had the capacity and tendency to mislead or deceive the insured, with  
7 respect to the benefits of the policies to be issued, failed to disclose the extent to which  
8 any loss is not covered if the cause of such loss is traceable to a condition existing  
9 prior to the effective date of the policy, and included statements that implied the value  
10 of the Company's plan was greater than most other plans being offered without any  
11 substantiation to validate its claims.

12           c. Central Reserve included statements in its video, "Professional Multi-  
13 Option Plan" (© 1995), that referred to specific policy benefits but did not disclose  
14 exceptions, reductions, and limitations affecting the basic provisions of the policy, and  
15 therefore constituted an advertisement that had the capacity and tendency to mislead  
16 or deceive, failed to include statements that disclosed the extent to which any loss is  
17 not covered if the cause of such loss is traceable to a condition exiting prior to the  
18 effective date of the policy, and included statements that implied that complications of  
19 pregnancy are covered without restriction, which was not confirmed by the policy  
20 language or the claims practices of the Company.

21           d. Central Reserve included statements in its video, "Centers of  
22 Excellence" (© 1996 CRL 13952), that referred to specific policy benefits but did not  
23 disclose exceptions, reductions, and limitations affecting the basic provisions of the  
24 policy, and therefore constitutes an advertisement that may have the capacity and  
25 tendency to mislead or deceive and did not disclose the extent to which any loss is not

1 covered if the cause of such loss is traceable to a condition existing prior to the  
2 effective date of the policy.

3 e. Central Reserve included statements in its video, "Leadership in  
4 Managed Care TRANSPLANT CENTERS OF EXCELLENCE" (© 1996), that referred  
5 to specific policy benefits but did not disclose exceptions, reductions, and limitations  
6 affecting the basic provisions of the policy, and therefore constitutes an advertisement  
7 that may have the capacity and tendency to mislead or deceive and did not disclose  
8 the extent to which any loss is not covered if the cause of such loss is traceable to a  
9 condition existing prior to the effective date of the policy.

10 f. Central Reserve has not circulated nor distributed any of the above  
11 advertising materials in Arizona since 1998.

12 6. Central Reserve, during the time frame of the Examination, failed to file with  
13 the Department, a list of all exempt forms available for issue in Arizona, on or before  
14 June 30 of 1995, 1996, and 1997.

15 7. The Examiners reviewed all of Central Reserve's policy forms and filings  
16 pertinent to the time frame of the Examination and found as follows:

17 a. Central Reserve marketed 22 policy forms in Arizona that covered the  
18 complications of pregnancy differently from any other illness or sickness due to the  
19 Company's definition of "complications of pregnancy."

20 b. Central Reserve marketed 22 policy forms in Arizona that covered  
21 HIV, AIDS, and AIDS-related conditions differently from any other illness or sickness.  
22 The Examiners found no evidence that HIV, AIDS, or AIDS-related claims were not  
23 paid.

24 c. Central Reserve used a non-compliant Disclosure Form.

25 d. Central Reserve failed to file an HIV-related test consent form.

1 Central Reserve is not currently marketing life insurance in Arizona.

2 8. The Examiners reviewed the Company's compliance with the Accountable  
3 Health Plan provisions of the Arizona Insurance Code and found as follows:

4 a. Central Reserve induced 560 policyholders to surrender their existing  
5 policies, for reasons that were not allowed by statute.

6 b. Central Reserve implemented a rate increase at renewal that  
7 exceeded the legally allowable amount on 15 new health plans.

8 c. Central Reserve refused to accept seven individual applicants, who  
9 were eligible for coverage, due to underwriting considerations relating to health-related  
10 factors.

11 d. Central Reserve failed to include with 42 renewal notices, an  
12 explanation of the extent to which any increase in premium was due to the actual or  
13 expected claims experience of the individuals covered under the employers health  
14 benefits plan.

15 9. The Examiners reviewed the Company's compliance with the  
16 provisions of the Health Insurance Portability and Accountability Act of 1996 as  
17 incorporated into Arizona's Statutes and Rules and found that Central Reserve sent a  
18 memo to Arizona agents that stated that the Company would not pay commissions to  
19 agents who submitted an application for business that would require a maximum  
20 medical load. Central Reserve alleges that this policy was never implemented and that  
21 the Examiners did not find any evidence that any specific small employer did not file an  
22 application for coverage based on the fact that the agent would not receive a  
23 commission.

24 10. The Examiners reviewed 53 of 109 individual life insurance policies issued  
25 during the time frame of the examination and found as follows:

1 a. Central Reserve failed to obtain written consent, prior to testing, from  
2 five subjects of an HIV-related test on a form as prescribed by the Director.

3 b. Central Reserve failed to provide two applicants with a *Summary of*  
4 *Rights*, in the event of an adverse underwriting decision.

5 11. The Examiners reviewed 37 individual short-term major medical claims paid  
6 and 29 individual short term major medical claims denied by the Company during the  
7 time frame of the examination and found that Central Reserve failed to notify four first  
8 party claimants of the acceptance or denial of the claim within 15 working days after  
9 receipt of an acceptable proof of loss.

10 12. The Examiners reviewed 50 of 58 individual association group applications  
11 declined, 50 of 694 individual association group applications issued, and 35 of 37  
12 individual association group applications withdrawn by the Company during the time  
13 frame of the examination and found as follows:

14 a. Central Reserve failed to provide ten applicants with the specific  
15 reason for an adverse underwriting decision in writing or advise the applicants that  
16 upon written request the applicants or their designee may receive the specific reason in  
17 writing.

18 b. Central Reserve failed to provide 13 applicants with a Summary of  
19 Rights.

20 c. Central Reserve failed to provide a Notice of Insurance Information  
21 Practices to 13 applicants that contained the required information.

22 13. The Examiners reviewed 31 of 31 group major medical claim files where the  
23 Company received a subrogation recovery during the time frame of the examination  
24 and found that Central Reserve received inappropriate payments on 22 claims.

25 14. The Examiners determined that Central Reserve paid 4,548 claims to

1 chiropractic providers, or to insureds for the services of chiropractic providers, at out-of  
2 network rates from January 1, 1995 through March 31, 1996. There were no  
3 chiropractors in the network utilized by the Company, so the claims should have been  
4 paid at network rates.

5 15. The Examiners reviewed 102 of 102 claims for chiropractic benefits during  
6 the time frame of the examination, and found that Central Reserve failed to disclose all  
7 pertinent benefits to its claimants. Central Reserve continued to limit the benefits for  
8 chiropractic treatment after the treatment limitations had been removed from the policy.

9 16. The Examiners reviewed 843 of 843 group major medical claim involving  
10 "complications of pregnancy" and found that the policy's definition of "complications of  
11 pregnancy" may have been too narrow and affected 181 claimants.

12 17. The Examiners reviewed 270 of 270 group major medical maternity claims  
13 denied by the Company during the time frame of the examination. Central Reserve  
14 denied 87 claims for the complications of pregnancy, by restricting benefits to the  
15 amount of the graded maternity benefit of the policy

16 18. The Examiners reviewed 100 of 4,991 group indemnity claims paid, 100 of  
17 1,082 group indemnity claims denied, 100 of 185,328 group medical claims paid for  
18 services rendered through the Maricopa Foundation for Medical Care, 100 of 36,417  
19 group medical claims denied for services rendered through the Maricopa Foundation  
20 for Medical Care, 50 of 268 group medical claims paid for services rendered through  
21 the Community Care Network, 32 of 32 group medical claims denied for services  
22 rendered through the Community Care Network, 13 of 13 short-term disability income  
23 claims paid, 100 of 14,193 group dental claims paid, and 50 of 2,479 group dental  
24 claims denied by the Company during the time frame of the Examination and found as  
25 follows:

1 a. Central Reserve failed to notify 196 first party claimants of the  
2 acceptance or denial of the claim within 15 working days.

3 b. Central Reserve failed to complete the investigation of 63 claims  
4 within 30 days after notification of the claim.

5 c. Central Reserve failed to pay interest on 29 claims not paid with  
6 30 days after receipt of an acceptable proof of loss.

### 7 8 CONCLUSIONS OF LAW

9 1. Central Reserve violated A.R.S. § 20-461(A)(2) and A.A.C. R20-6-801(E)(3)  
10 by failing to acknowledge within ten working days, the receipt of pertinent  
11 communications from a claimant which reasonably suggested that a response was  
12 expected.

13 2. Central Reserve violated A.A.C R20-6-201(B) and R20-6-201(Q) by using  
14 advertising materials that may have a tendency to mislead, regarding the terms of the  
15 policies issued by the Company, circulating an advertisement that contained  
16 statements with respect to the business of insurance that may have a tendency to  
17 mislead, and including in its advertising materials allegations of the superiority of the  
18 Company without documentation or substantiation.

19 3. Central Reserve violated A.A.C. R20-6-218(B) by failing to file with the  
20 Department, on or before June 30 of each year, a verified list of all exempt forms  
21 available for issue in Arizona (for years 1995, 1996, and 1997).

22 4. Central Reserve violated A.A.C. R20-6-209(F)(6) by marketing policies in  
23 Arizona that covered the complications of pregnancy differently from any other illness  
24 or sickness due to the Company's definition of "complications of pregnancy."

25 5. Central Reserve violated A.A.C. R20-6-1205(B) by marketing policies in

1 Arizona that covered HIV, AIDS, and AIDS-related conditions differently from any other  
2 illness or sickness.

3 6. Central Reserve violated A.R.S. §§ 20-2323(A) and 20-2323(B) by using a  
4 non-compliant disclosure form.

5 7. Central Reserve violated A.R.S. § 20-448.01(B) and A.A.C. R20-6-1203(C)  
6 by failing to file an HIV-related test consent form with the Department.

7 8. Central Reserve violated A.R.S. § 20-2309(B) by canceling group health  
8 policies for reasons that are not allowed by statute.

9 9. Central Reserve violated A.R.S. § 20-2311(C) by raising health benefits  
10 plan rates beyond the limits that are set forth in this statute.

11 10. Central Reserve violated A.R.S. § 20-2307(A) by refusing coverage to  
12 individuals in employer group plans who were eligible for coverage.

13 11. Central Reserve violated A.R.S. § 20-2309(A) by failing to include in its  
14 renewal notices an explanation of the extent to which any increase in premium was  
15 due to the actual or expected claim experience of the individuals covered by the  
16 employer's health plan.

17 12. Central Reserve violated A.R.S. § 20-2313(A) by distributing a memo to its  
18 Arizona sales force that stated that no commissions would be paid to producers who  
19 submitted a group health application with a maximum medical load. This practice may  
20 have discouraged agents from filing an application based on health status-related  
21 factors relative to the group.

22 13. Central Reserve violated A.R.S. § 20-448.01(B) and A.A.C. R20-6-1203(C)  
23 by failing to obtain written consent, prior to testing, from its applicants on a form  
24 previously approved by the Director.

25 14. Central Reserve violated A.R.S. § 20-2110(A) by failing to give applicants

1 for insurance notice of adverse underwriting decisions that included: (1) The specific  
2 reasons for adverse underwriting, and/or (2) Notification that the specific reasons could  
3 be obtained upon written request.

4 15. Central Reserve violated A.R.S. § 20-461(A)(5), A.A.C. R20-6-801(G)(1)(a),  
5 and the prior Consent Order, Docket #8532, filed August 29, 1994, by failing to notify  
6 the first party claimant of the acceptance or denial of the claim within 15 working days  
7 after receipt of an acceptable proof of loss.

8 16. Central Reserve violated A.R.S. § 20-2104(B) by failing to provide the  
9 applicant with a Notice of Insurance Information Practices that contained all of the  
10 required information.

11 17. Central Reserve violated A.R.S. § 20-461(A)(6) by recovering funds through  
12 subrogation from unallowable sources.

13 18. Central Reserve violated A.R.S. §§ 20-461(A)(6) and 20-461(B) by paying  
14 chiropractic claims at out-of-network rates when there were no chiropractic physicians  
15 available in its preferred provider networks during this time.

16 19. Central Reserve violated A.R.S. § 20-461(A)(1) and A.A.C. R20-6-801(D)  
17 by failing to disclose all pertinent benefits for chiropractic treatment after the treatment  
18 limitations had been removed from the policy.

19 20. Central Reserve violated A.A.C. R20-6-209(F)(6) by failing to disclose all  
20 pertinent benefits under an insurance contract, regarding expenses due to  
21 complications of pregnancy.

22 21. Central Reserve violated A.R.S. § 20-461(A)(3), A.A.C. R20-6-801(F), and  
23 the prior Consent Order, Docket #8532, filed August 29, 1994, by failing to complete  
24 the investigation of a claim within 30 days after notification of the claim.

25 22. Central Reserve violated A.R.S. § 20-462(A) and the prior Consent Order,

1 Docket #8532, filed August 29, 1994, by failing to pay interest on all claims not paid  
2 within 30 days of receipt of an acceptable proof of loss.

3 23. Grounds exist for the entry of the following Order, in accordance with A.R.S.  
4 §§ 20-220, 20-456, and 20-2117.

5  
6 **ORDER**

7 **IT IS ORDERED THAT:**

8 1. Central Reserve Life Insurance Company shall cease and desist from  
9 committing the following practices:

10 a. Failing to comply with an Order of the Director.

11 b. Using advertising materials that may have a tendency to mislead,  
12 regarding the terms of the policies issued by the Company, or with respect to the  
13 business of insurance.

14 c. Inducing a policyholder to surrender an insurance policy that was not  
15 cancelable under the terms of the contract.

16 d. Obtaining permission of the applicants for HIV-related testing on  
17 consent forms other than the form approved by the Director.

18 e. Failing to treat the complications of pregnancy the same as any other  
19 illness under the contract.

20 f. Failing to acknowledge within ten working days, the receipt of  
21 pertinent communications from a claimant, which reasonably suggest that a response  
22 is expected.

23 g. Failing to complete claims investigations within 30 days of notification  
24 of claim.

25 h. Failing to accept or deny claims within 15 days after receipt of proof of

1 loss.

2 i. Paying chiropractic benefits at out-of-network rates when there were  
3 no chiropractic physicians available in its network.

4 j. Failing to pay interest on claims not paid within 30 days after the  
5 receipt of acceptable proof of loss.

6 k. Failing to provide a Notice of Insurance Information Practices in  
7 insurance policy applications that contained all of the required information.

8 l. Failing to give applicants written notice of adverse underwriting  
9 decisions containing the specific reasons for the decision and notification that the  
10 specific reason could be obtained upon written request.

11 m. Implementing a policy among its sales staff whereby commissions are  
12 not paid on full load applications. This practice may have discouraged agents from  
13 filing an application based on health status-related factors relative to the group.

14 n. Failing to include in its renewal notices to all groups, an explanation of  
15 the extent to which any increase in premium was due to the actual or expected claim  
16 experience of the individuals covered by the employer's health plan.

17 o. Terminating health benefit plans for reasons contrary to Arizona  
18 statutes and rules.

19 p. Raising health benefit plan rates beyond statutory limits.

20 q. Issuing and disseminating a non-compliant disclosure form.

21 r. Failing to file with the Department, by June 30 of each year, a verified  
22 list of all exempt forms available for issue in Arizona.

23 s. Failing to provide benefits for HIV, AIDS, and AIDS-related conditions  
24 in the same manner and to the same extent as provided for all other diseases.

25 t. Recovering funds via subrogation from sources other than those

1 permitted by statute.

2       2. Within 90 days of the filed date of this Order, Central Reserve shall submit  
3 to the Arizona Department of Insurance, for approval, evidence that corrections have  
4 been implemented and communicated to the appropriate personnel, regarding the  
5 issues outlined in Item 1 of the Order section of this Consent Order. Evidence of  
6 corrective action and communication thereof includes, but is not limited to, memos,  
7 bulletins, E-mails, correspondence, procedures manuals, print screens, and training  
8 materials. Because the Company does not currently market life insurance in Arizona,  
9 the Company shall not have to comply with item 1d of the Order section of this Order  
10 until 90 days prior to its re-entry into the Arizona life insurance market.

11       3. Within 90 days of the filed date of this Order, Central Reserve shall  
12 document to the Department, where the interest is \$1.00 or greater, that it has paid  
13 interest on the 31 claims listed in Exhibit A of this Order. Interest shall be calculated at  
14 the rate of ten per cent per annum, from the date each claim was received by the  
15 Company, to the date the claim was paid.

16       4. Within 90 days of the filed date of this Order, Central Reserve shall  
17 document to the Department that it has conducted a self-audit of the 102 chiropractic  
18 claims, listed in Exhibit B of the Order. The Company limited the benefits for  
19 chiropractic care after the treatment limitations for chiropractic care had been removed  
20 from the policy. All of the claims shall be reopened and evaluated to determine if  
21 payments are due to the claimants. Claimants shall be paid for chiropractic services  
22 that were improperly denied, plus interest. Interest shall be calculated at the rate of ten  
23 per cent per annum from the date the claim was received by the Company to the date  
24 the claim was paid.

25       5. Central Reserve shall reopen the 22 subrogation claims listed in Exhibit C

1 of this Order, and refund all third-party recovery monies it received from these  
2 policyholders, plus interest. Interest shall be calculated at the rate of ten per cent per  
3 annum from the date the monies were paid to the Company, to the date of the refund.

4 6. Central Reserve shall submit to the Department, for its approval, a revised  
5 version of its definition of "complications of pregnancy" that will be incorporated into  
6 applicable Arizona policies.

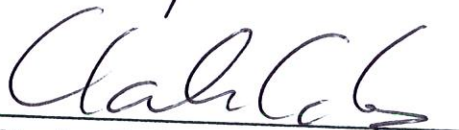
7 7. A letter shall accompany each payment made pursuant to paragraphs 3,4,  
8 and 5 above to the claimant. Relating to paragraph 5, the letter shall be in a form  
9 previously approved by the Director. A list of payments, giving the name and address  
10 of each party paid, the amount of the payment, the amount of interest paid, and the  
11 date of payment, shall be provided to the Department within 90 days of the filed date of  
12 this Order.

13 8. The Department shall be permitted, through authorized representatives, to  
14 verify that Central Reserve has complied with all provisions of this Order.

15 9. Central Reserve shall pay a civil penalty of \$50,000.00 to the Director for  
16 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). The civil  
17 penalty shall be provided to the Market Conduct Examinations Division of the  
18 Department prior to the filing of this Order.

19 10. The Report of Examination of the Market Conduct Affairs of Central  
20 Reserve as of June 1, 1998, including the letter submitted in response to the Report of  
21 Examination, shall be filed with the Department after the Director has filed this Order.

22 DATED at Phoenix, Arizona this 15<sup>th</sup> day of May, 2001.

23 

24 Charles R. Cohen  
25 Director of Insurance

EXHIBIT A

CLAIMS NOT PAID WITHIN 30 DAYS OF RECEIPT OF ACCEPTABLE PROOF OF  
LOSS – A.R.S. § 20-462 (A)

GROUP LIFE INSURANCE DEATH CLAIMS PAID  
129585-13

GROUP MEDICAL INDEMNITY CLAIMS PAID  
2173357 2132526 1373094 2148071 2507058 2644152

GROUP MEDICAL MARICOPA FOUNDATION NETWORK CLAIMS PAID  
1002675 2988027 2985849 2915163 2345924 2963577 2945926  
2501926

GROUP MEDICAL COMMUNITY CARE NETWORK CLAIMS PAID  
2679073 2876730 2648710 3068265

SHORT-TERM DISABILITY INCOME (WEEKLY INDEMNITY) CLAIMS PAID  
86425-9

GROUP DENTAL CLAIMS PAID  
1049289 1280976 1683122 1397316 2863047 2970499 1966192  
2201302 2454528 3175120 2121359

# EXHIBIT B

## CHIROPRACTIC LIMITATIONS PAID CLAIMS

### VIOLATIONS OF A.A.C. R20-6-801(D)(1)

| CLAIM<br>NUMBER | LINE<br>NUMBER | CLAIM<br>NUMBER | LINE<br>NUMBER | CLAIM<br>NUMBER | LINE<br>NUMBER |
|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| 1226396         | 4              | 3123871         | 6              | 2831415         | 8              |
| 2274439         | 10             | 3123871         | 7              | 2957530         | 13             |
| 2295214         | 58-66          | 2130493         | 10             | 3348768         | 1-9            |
| 2306676         | 5              | 3208126         | 11             | 2831415         | 10             |
| 2373455         | 17             | 2866158         | 9              | 3344515         | 5              |
| 2299794         | 32             | 3197233         | 2              | 3200625         | 35             |
| 2450550         | 1              | 3171672         | 14             | 3330907         | 7              |
| 2386551         | 28             | 3267343         | 3-4            | 2167214         | 91             |
| 1400075         | 4              | 3002665         | 9              | 3299441         | 21             |
| 2296661         | 17             | 3190204         | 7              | 3382092         | 4              |
| 2391482         | 22             | 3280364         | 1              | 2337655         | 1              |
| 2494423         | 2-3            | 3082254         | 3              | 2346354         | 1              |
| 1526783         | 2              | 3086391         | 55             | 2064100         | 19             |
| 2325655         | 21             | 3234490         | 16             | 2064100         | 20             |
| 1935403         | 3              | 3225250         | 5              | 2341705         | 43             |
| 1935403         | 4              | 3190204         | 8              | 2341705         | 44             |
| 2406849         | 4-5            | 3234490         | 17             | 2341705         | 11-12          |
| 2579085         | 44             | 3264712         | 17             | 2341705         | 23             |
| 2268778         | 9              | 3286743         | 5              | 2341705         | 33             |
| 2720544         | 34             | 3286743         | 6              | 2341705         | 34             |
| 2808637         | 4              | 3242881         | 6              | 2341705         | 38             |
| 2579369         | 31             | 2831415         | 6              | 2475001         | 2              |
| 2560168         | 47             | 2831415         | 7              | 2475001         | 5              |
| 2865105         | 1              | 3238272         | 21             | 2373104         | 3              |
| 2933744         | 3              | 3252907         | 9              | 2475001         | 6              |
| 2908091         | 6              | 3180715         | 14-15          | 2373104         | 4              |
| 1839498         | 44             | 3168207         | 4              | 2341705         | 67             |
| 2936849         | 16             | 2769141         | 42             | 2475001         | 7              |
| 3028503         | 1              | 3202504         | 10             | 2475001         | 8              |
| 3128463         | 1-2            | 3180715         | 16             | 2643099         | 2              |
| 2712852         | 71             | 3264712         | 18             | 2807574         | 1              |
| 3151140         | 2-3            | 3264712         | 19             | 1964383         | 75             |
| 2907597         | 40             | 3299705         | 3              | 2922714         | 50             |
| 3266792         | 16             | 3082004         | 9              | 3082004         | 10             |

TOTAL: 102

EXHIBIT C

SUBROGATION

VIOLATIONS OF A.R.S. § 20-461(A)(6)

| <u>HCC CASE ID#</u> | <u>HCC CASE ID #</u> |
|---------------------|----------------------|
| 302681              | 322269               |
| 226787              | 315228               |
| 252784              | 322288               |
| 222909              | 226354               |
| 252868              | 252656               |
| 257682              | 302352               |
| 265094              | 226863               |
| 303646              | 252819               |
| 303039              | 266500               |
| 243355              | 302919               |
| 315101              | 196695               |

CONSENT TO ORDER

1. Central Reserve Life Insurance Company has reviewed the foregoing Order.
2. Central Reserve Life Insurance Company admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.
3. Central Reserve Life Insurance Company is aware of the right to a hearing, at which it may be represented by counsel, present evidence, and cross-examine witnesses. Central Reserve Life Insurance Company irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.
4. Central Reserve Life Insurance Company states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.
5. Central Reserve Life Insurance Company acknowledges that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter and does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.
6. Ronald L. Kotowski, who holds the office of Senior Vice President of Central Reserve Life Insurance Company is authorized to enter into this Order for it and on its behalf.

CENTRAL RESERVE LIFE INSURANCE COMPANY

By:

Ronald L. Kotowski

5/9/01

Date

1 **COPY of the foregoing mailed/delivered**

2 **this 16th day of May , 2001, to:**

3  
4 Sara Begley  
5 Deputy Director  
6 Mary Butterfield  
7 Assistant Director  
8 Consumer Affairs Division  
9 Paul J. Hogan  
10 Chief Market Conduct Examiner  
11 Deloris E. Williamson  
12 Assistant Director  
13 Rates & Regulations Division  
14 Steve Ferguson  
15 Assistant Director  
16 Financial Affairs Division  
17 Nancy Howse  
18 Chief Financial Examiner  
19 Alexandra Shafer  
20 Assistant Director  
21 Life & Health Division  
22 Terry L Cooper  
23 Fraud Unit Chief

24  
25 DEPARTMENT OF INSURANCE  
2910 North 44th Street, Suite 210  
Phoenix, AZ 85018

Central Reserve Life Insurance Company  
Mr. Ronald L. Kotowski, Senior Vice President of Government Relations  
17800 Royalton Road  
Strongsville, OH 44136-5197

Curvey Burton